

Message Text

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ACTION EA-10

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R 130828Z FEB 75
FM AMEMBASSY TAIPEI
TO AMEMBASSY JAKARTA
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C O N F I D E N T I A L TAIPEI 0754

E.O. 11652: GDS
TAGS: BEXP, TW, ID
SUBJECT: US COMPETITION IN STEEL MILL CONSTRUCTION

REF: JAKARTA 1778

1. IN NOVEMBER 1971, CHINA STEEL CORPORATION (CSC), OWNED 45 PERCENT BY GROC AND 55 PERCENT BY PRIVATE INTEREST, SIGNED A CONTRACT WITH VOEST OF AUSTRIA FOR CONSTRUCTION OF A 1.5 MILLION TON ANNUAL CAPACITY STEEL MILL TO BE LOCATED AT KAOHSIUNG. VOEST AGREED TO PROVIDE CAPITAL AND LOANS TOTALLING US\$64 MILLION OUT OF A TOTAL COST OF US\$324 MILLION. VOEST CONTRACTED WITH KRUPP FOR DESIGN AND ENGINEERING WORK, WHICH WAS COMPLETED IN 1972.

2. OWING TO US DOLLAR DEVALUATION, CSC DISENCHANTMENT WITH VOEST/KRUPP PROPOSAL ON TECHNICAL GROUNDS, AND AVAILABILITY OF EX-IM FINANCING, CSC CANCELLED CONTRACT WITH VOEST, AND IN AUGUST 1973 SIGNED A CONTRACT WITH USS ENGINEERS AND CONSULTANTS, INC., A SUBSIDIARY OF U.S. STEEL, TO PROVIDE TECHNICAL SERVICES AND SUPERVISION IN CONSTRUCTION AND OPERATION OF THE MILL.

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3. INITIAL CAPACITY OF THE MILL WILL BE 1.5 MILLION

METRIC TONS WHEN PRODUCTION BEGINS IN 1978 WITH POSSIBLE EXPANSION TO 6 MILLION METRIC TONS AS DEMAND DEVELOPS. INITIAL FACILITIES WILL INCLUDE COKE AND LINTER PLANTS, BLAST FURNACE AND BASIC OXYGEN PLANT, CONTINUOUS CASTING MILL FOR BILLETS AND SLABS, AND PLATE, ROD AND BAR MILLS. IT IS ANTICIPATED THAT IN 1978 MILL WILL PRODUCE 150,000 MT PIG IRON, 245,7000 MT STEEL INGOTS, 400,000 MT STEEL PLATE, 300,000 MT STEEL WIRE AND 300,000 MT STEEL RODS.

4. TO EMBASSY'S KNOWLEDGE, NEITHER ARMCO, KOPPERS NOR MCKEE PARTICIPATED IN EVALUATION VOEST/KRUPP PROPOSAL. ARMCO, ALONG WITH US STEEL, NATIONAL, KAISER AND POSSIBLY OTHERS, WAS SOUNDED OUT BY CSC ON TAKING EQUITY POSITION IN MILL BEFORE DEAL MADE WITH VOEST, BUT US COMPANIES DECLINED.

5. EMBASSY IS AIR-POUCHING FEBRUARY 14 COPIES OF PERTINENT DOCUMENTS AVAILABLE IN FILES. ADDITIONAL DETAILED BACKGROUND ON POINTS RAISED IN REFTEL WILL BE COLICITED FEBRUARY 17 WHEN KNOWLEDGEABLE CSC OFFICIALS RETURN TO OFFICE FROM CHINESE NEW YEAR HOLIDAY.

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